



DEPARTMENT OF ENERGY

Western Area Power Administration

Colorado River Storage Project—Rate Order No. WAPA-169

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of Proposed Salt Lake City Area Integrated Projects Firm Power Rate and Colorado River Storage Project Transmission and Ancillary Services Rates.

SUMMARY: Western Area Power Administration (Western) is proposing adjustments to the Salt Lake City Area Integrated Projects (SLCA/IP) Firm Power Rate and the Colorado River Storage Project (CRSP) Transmission and Ancillary Services Rates. The SLCA/IP consists of the CRSP, Collbran, and Rio Grande projects, which were integrated for marketing and ratemaking purposes on October 1, 1987, and two participating projects of the CRSP that have power facilities, the Dolores and Seedskadee projects. The current rates, under Rate Schedules SLIP-F9, SP-PTP7, SP-NW3, SP-NFT6, SP-SD3, SP-RS3, SP-EI3, SP-FR3, and SP-SSR3 will expire September 30, 2015. The proposed rates, under Rate Schedules SLIP-F10, SP-PTP8, SP-NW4, SP-NFT7, SP-SD4, SP-RS4, SP-EI4, SP-FR4, SP-SSR4, and SP-UU1 are scheduled to be placed into effect on an interim basis on October 1, 2015, and will remain in effect through September 30, 2020, or until superseded. These rates will provide sufficient revenue to pay all annual costs, including operation, maintenance, replacements (OM&R), interest expenses, and the required repayment of investment within the allowable period.

Western will prepare a brochure that provides detailed information on the rates and will make it available to all interested parties. Publication of this Federal Register notice (FRN) begins the formal process for the proposed rates.

DATES: The consultation and comment period closes on **March 13, 2015**. Western will present a detailed explanation of the proposed rates at a public information forum to be held on January 15, 2015, 11:30 a.m. MST, in Salt Lake City, Utah. Western will accept oral and written comments at a public comment forum to be held on February 5, 2015, 11:30 a.m. MST, in Salt Lake City, Utah. Western will accept written comments any time during the consultation and comment period.

ADDRESSES: Written comments and requests to be informed of Federal Energy Regulatory Commission (FERC) actions concerning the rates submitted by Western to FERC for approval should be sent to: Ms. Lynn C. Jeka, CRSP Manager, Colorado River Storage Project Management Center, Western Area Power Administration, 150 East Social Hall Avenue, Suite 300, Salt Lake City, UT 84111-1580, telephone (801) 524-6372, e-mail jeka@wapa.gov or CRSPMC-RATE-ADJ@WAPA.GOV. Western will post information regarding this rate process on its Web page located at: <http://www.wapa.gov/crsp/ratescrsp/WAPA-169.htm>. Western will post official comments received by letter and e-mail to its Web page after the close of the comment period. Western must receive written comments by the end of the consultation and comment period to ensure consideration in Western's decision process. The location of the public information forum and the comment forum is the Holiday Inn & Suites Salt Lake City Airport West, 5001 Wiley Post Way, Salt Lake City, Utah.

FOR FURTHER INFORMATION CONTACT: Mr. Rodney G. Bailey, Power Marketing Manager, Colorado River Storage Project Management Center, Western Area Power Administration, 150 East Social Hall Avenue, Suite 300, Salt Lake City, UT 84111-1580, telephone (801) 524-4007, e-mail rbailey@wapa.gov.

SUPPLEMENTARY INFORMATION: The proposed rates for SLCA/IP Firm Power and

CRSP Transmission and Ancillary Services will collect annual revenue sufficient to recover annual OM&R expenses, interest expense, irrigation assistance, and capital requirements, ensuring repayment of the project within the cost recovery criteria set forth in DOE Order RA 6120.2.

The Deputy Secretary of Energy approved Rate Schedules SLIP-F9 for SLCA/IP Firm Power and SP-PTP7, SP-NW3, SP-NFT6, SP-SD3, SP-RS3, SP-EI3, SP-FR3, and SP-SSR3 for CRSP Transmission and Ancillary Services on August 1, 2008¹ for a 5-year period ending on September 30, 2013. The Deputy Secretary of Energy approved Rate Order WAPA-161² on September 6, 2013, extending the rates through September 30, 2015.

Firm Power Rate

Under the current Rate Schedule SLIP-F9, the energy rate is 12.19 mills per kilowatthour (mills/kWh), and the capacity rate is \$5.18 per kilowattmonth (kWmonth). The composite rate is 29.62 mills/kWh.

The proposed rates under Rate Schedule SLIP-F10 are intended to become effective October 1, 2015. The revenue requirements for the proposed rates are based on the fiscal year (FY) 2016 work plans for Western and the Bureau of Reclamation (Reclamation). These work plans form the basis for the FY 2016 Congressional budget requests for the two agencies. If available, the FY 2017 work plans will be included in the final rate order submission. The FY 2013 historical financial data are the latest available for the proposed rate. The final rate-setting study will include the FY 2014 historical financial data. As in the current Rate Schedule, Western will determine firming energy purchase expenses by using Reclamation's long-term,

¹ Rate Order No. WAPA-137, 73 FR 52980, September 12, 2008. FERC confirmed and approved the rate schedules on June 19, 2009, under FERC Docket No. EF08-5171-000 (127 FERC ¶ 62,220).

² Rate Order No. WAPA-161, 78 FR 56692, September 13, 2013.

median hydrological studies. The August 2014, 24-month study is used for the proposed Rate Order, and the April 2015, 24-month study for the final Rate Order. This reflects the firming purchase power requirements between projected generation and contract obligations for FY 2016-FY 2020. In the existing SLIP-F9 Rate Schedule, \$4 million a year is projected in the remaining out years to cover operational costs for the Energy Marketing and Management Office (EMMO) in Montrose, Colorado. The proposed Rate Schedule, SLIP-F10, will include the \$4 million for the EMMO operational costs every year, not just the out years. Table 1 below displays the current and proposed Firm Power Rates.

Table 1 - COMPARISON OF EXISTING AND PROPOSED FIRM POWER RATES

Rate Schedule	Existing Rate Under Rate Schedule SLIP-F9 Effective October 1, 2008	Proposed Rate Under Rate Schedule SLIP-F10 Effective October 1, 2015	Change
Base Rate:			
Firm Energy: (mills/kWh)	12.19	12.38	1.6%
Firm Capacity: (\$kW/month)	5.18	5.26	1.5%
Composite Rate: (mills/kWh)	29.62	29.93	1.0%

Cost Recovery Charge

In setting its firm power rate, Western forecasts generation available from the SLCA/IP units and projects the firming energy purchase expense over the ratesetting period. These firming expense projections are included in the annual revenue requirement of the firm power rate. The volatility of hydropower generation and power prices continue to be a concern for cost-recovery issues for the SLCA/IP. To adequately recover expenses in times of financial hardship, Western will continue to calculate the Cost Recovery Charge (CRC) as in the current Rate Schedule

SLIP–F9. The CRC is an additional charge on all sustainable hydropower (SHP) energy deliveries (long-term SLCA/IP hydropower capacity with energy) that may be implemented when, among other things, the Basin Fund’s balance is at risk due to low hydropower generation, high prices for firming power, funding for capitalized investments, etc. Western will establish the energy waiver level (WL) per the formulas of the CRC. The WL provides Customers the ability for Western to reduce purchase power expenses by scheduling less energy than their contractual amounts. Customers may choose not to take the full SHP energy supplied using the WL. For those Customers who voluntarily schedule no more energy than their proportionate share of the WL, Western will waive the CRC for that year. The conditions that would trigger the CRC, as well as a more detailed formula methodology of how and when the CRC would apply, will be discussed in detail in the rate brochure and at the public information forum. Western will continue to include a mechanism that allows for re-calculation of the CRC if the annual water release from Glen Canyon Dam falls below 8.23 million acre-feet.

The proposed changes for the CRC will include “tiers” to quantify the need for a CRC-based on the balance of the Basin Fund and Western’s ability to meet contractual agreements. The CRC will be implemented at the discretion of Western when the Basin Fund’s balance meets the criteria in the tiers below. The Basin Fund Beginning Balance (BFBB) determines the applicable tier criteria. The minimum Basin Fund target balance is \$40 million. In addition to the current process of an annual review for tiers one through three below and Customer notification in May for the upcoming FY, Western will conduct additional reviews as specified in tiers four and five below that are tailored to meet the urgency for cost recovery:

CRSP has the option to charge or not charge a CRC if the BFBB is:

- i. Greater than \$150 million with an expected decrease below \$75 million.

- ii. Less than \$150 million but greater than \$120 million with an expected 50-percent decrease.
- iii. Less than \$120 million but greater than \$90 million with an expected 40-percent decrease.
- iv. Less than \$90 million but greater than \$60 million with an expected 25-percent decrease, conduct semi-annual reviews in May and November.
- v. Less than \$60 million but greater than \$40 million with an expected decrease below \$40 million; conduct monthly reviews.

If it is determined during the additional reviews that a CRC is necessary, Customers will be notified that a CRC will be implemented in 90 days. Western will provide its Customers with information concerning the anticipated CRC and give them 45 days to request a waiver or accept the CRC. The established CRC will be in effect for 12 months from the date implemented.

Proposed Formula Transmission Rate (SP-PTP8)

Western proposes to change the method used to calculate the Annual Transmission Costs to recover transmission expenses and investments on a current basis rather than a historical basis. This will allow Western to more accurately match cost recovery with cost incurrence. Western will use projections to estimate transmission costs and load for the upcoming year in the annual rate calculation. Currently, the rate calculation for a year uses actual data from 2 years prior to that year. This is a change in the manner in which the inputs for the rate are developed, rather than a change to the formula rate itself.

Western will “true up” the cost estimates with Western’s actual costs. Revenue collected in excess of Western’s actual net revenue requirement will be returned to Customers through a credit against rates in a subsequent year. Actual revenues that are less than the net revenue

requirement would likewise be recovered in a subsequent year. The “true-up” procedure will ensure that Western recovers no more and no less than the actual transmission costs for the year.

Proposed Rate for Regulation and Frequency Response Service (SP-FR4)

The current rate states “[i]f the CRSP MC has regulation available for sale, the SLCA/IP firm power capacity rate, currently in effect, will be charged. If regulation is unavailable from SLCA/IP resources, the Western Area Lower Colorado or Western Area Colorado Missouri balancing authorities can provide the service, in accordance with their respective rate schedules.” Western proposes to use a formula-based rate that will more accurately reflect the cost of the Regulation and Frequency Response Service rather than the SLCA/IP firm power capacity rate. The formula will be discussed in detail in the rate brochure and during the Information Forum.

Proposed Rate for Unreserved Use of Transmission Service (SP-UU1)

Western is proposing to migrate from an Unauthorized Use Charge to an Unreserved Use of Transmission Service (Unreserved Use) Rate under the proposed Rate Schedule SP-UU1. Unreserved Use is provided when a transmission customer uses transmission service it has not reserved or exceeds its reserved capacity.

Western proposes that a transmission customer that engages in Unreserved Use be assessed a penalty charge of 200 percent of Western’s approved transmission service rate for Firm Point-to-Point transmission service as follows:

- (i) The Unreserved Use penalty for a single hour of unreserved use will be based upon the rate for daily firm point-to-point service.
- (ii) The Unreserved Use penalty for more than one assessment for a given duration (e.g., daily) will increase to the next longest duration (e.g., weekly).

- (iii) The Unreserved Use penalty charge for multiple instances of unreserved use (e.g., more than 1 hour) within a day will be based on the rate for daily firm point-to-point service. Multiple instances of unreserved use isolated to 1 calendar week will result in a penalty based on the charge for weekly firm point-to-point service. The penalty charge for multiple instances of unreserved use during more than 1 week during a calendar month will be based on the rate for monthly firm point-to-point service.

A transmission customer that exceeds its firm reserved capacity at any point of receipt or point of delivery, or an eligible customer that uses transmission service at a point of receipt or point of delivery that it has not reserved will be required to pay, in addition to the Unreserved Use penalties, for all ancillary services identified in Western's Open Access Transmission Tariff based on the amount of transmission service it used and did not reserve.

Proposed Rates for Network Integration Transmission, Non-Firm Point-to-Point Transmission, Scheduling-System Control and Dispatch, Reactive Supply and Voltage Control, Energy Imbalance, and Spinning and Supplemental Reserves (SP-NW4, SP-NFT7, SP-SD4, SP-RS4, SP-EI4, SP-SSR4)

Western is not proposing any formula changes to the existing Rate Schedules for Network Integration Transmission, Non-Firm Point-to-Point Transmission, Scheduling-System Control & Dispatch, Reactive Supply & Voltage Control, Energy Imbalance, and Spinning & Supplemental Reserves.

Legal Authority

The proposed rates constitute a major rate adjustment, as defined by 10 CFR part 903, and Western will hold both a public information forum and a public comment forum. Western will review all timely public comments and make amendments or adjustments to the proposal as

appropriate. A final rate schedule will be forwarded to the Deputy Secretary of Energy for approval on an interim basis.

Western is establishing firm electric service rates for SLCA/IP under the Department of Energy Organization Act (42 U.S.C. 7152); the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent laws, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)); and other acts that specifically apply to the projects involved.

By Delegation Order No. 00-037.00A, effective October 25, 2013, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to Western's Administrator; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand, or to disapprove such rates to FERC. Existing DOE procedures for public participation in power rate adjustments (10 CFR part 903) were published on September 18, 1985.

Availability of Information

All brochures, studies, comments, letters, memorandums, and other documents that Western initiates or uses to develop the proposed rates are available for inspection and copying at the Colorado River Storage Project Management Center, 150 East Social Hall Avenue, Suite 300, Salt Lake City, UT. Many of these documents and supporting information are also available on Western's Web page, located at <http://www.wapa.gov/crsp/ratescrsp/WAPA-169.htm>.

RATEMAKING PROCEDURE REQUIREMENTS:

Environmental Compliance

In compliance with the National Environmental Policy Act (NEPA) of 1969, 42 U.S.C. 4321-4347; the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500-1508); and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021), Western is in the process of determining whether an environmental assessment or an environmental impact statement should be prepared or if this action can be categorically excluded from those requirements.

Determination Under Executive Order 12866

Western has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

Dated: December 1, 2014.

Mark A. Gabriel,
Administrator.

6450-01-P

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